

**EQUIPMENT MANAGEMENT & SUPPORT
COMPANY (PRIVATE) LIMITED
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2020**



INDEPENDENT AUDITOR'S REPORT

To members of Equipment Management and Support Company (Private) Limited.

Report on the Audit of Financial Statements

Opinion

We have audited the annexed financial statements of Equipment Management and Support Company (Private) Limited, the company, which comprise the statement of financial position as at June 30, 2020, statement of profit or loss, statement of other comprehensive income, statement of changes in equity, and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of profit or loss, statement of other comprehensive income, the statement of changes in equity, and the statement of cash flows together with notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the company's affairs as at June 30, 2020 and of the loss, total comprehensive loss, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with the International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in Auditor's Responsibilities for the audit of the Financial Statements section of our report. We are independent of the company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting and reporting standards as applicable in Pakistan and the requirement of the Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the

Company or to cease operations, or has no realistic alternative but to do so.

Boards of directors are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatements of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the dates of our auditor's report. However, future events or conditions may cause the Company to cease to continue as going a concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentations.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other Legal and Regulatory Requirements

Based upon our audit, we further report that in our opinion:

- a) proper books of accounts have been kept by the company as required by the companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, statement of profit or loss, statement of other comprehensive income, statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investment made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) no zakat was deductible under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

Other Matter Paragraph

The financial statements of the Company for the year ended June 30, 2019 were audited by another firm of chartered accountants who expressed an unmodified opinion thereon vide their report dated July 30, 2010.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Nauman Rafique from Suriya Nauman Rehan & Co.


Suriya Nauman Rehan & Co.
Chartered Accountants

Date 15 FEB 2021

Islamabad

Equipment Management & Support Company (Private) Limited
Statement of Financial Position
As at June 30, 2020

	Note	2020 Rupees	2019 Rupees
Assets			
Current Assets			
Prepayments and other receivables	6	1,474,528	2,396,508
Cash and bank balance	7	38,033,775	33,955,899
Total Assets		<u>39,508,303</u>	<u>36,352,407</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	8	100,000	100,000
Accumulated loss		(1,211,369)	(751,435)
		(1,111,369)	(651,435)
Current Liabilities			
Payable to parent company - net	9	37,835,571	30,124,938
Trade and other payables	10	2,542,569	4,390,593
Income tax payable	11	241,532	2,488,311
		40,619,672	37,003,842
Total equity and liabilities		<u>39,508,303</u>	<u>36,352,407</u>
Contingencies and commitments	16	-	-

The annexed notes 1 to 23 form an integral part of these financial statements.


CHIEF EXECUTIVE OFFICER


DIRECTOR

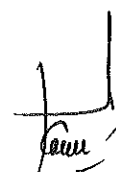
Equipment Management & Support Company (Private) Limited
Statement of Profit or Loss
For the year ended 30 June 2020

	Note	2020 Rupees	2019 Rupees
Revenue	12	6,307,493	14,183,635
Cost of Services	13	<u>(8,650,869)</u>	<u>(10,452,103)</u>
Gross (Loss)/Profit		(2,343,376)	3,731,532
Administrative and general expenses	14	<u>(1,424,471)</u>	<u>(3,550,855)</u>
Operating (Loss)/Profit		(3,767,847)	180,677
Finance Cost		<u>(12,112)</u>	<u>(141,923)</u>
Other income		<u>4,198,220</u>	<u>2,332,877</u>
		4,186,108	2,190,954
Profit before taxation		418,261	2,371,631
Taxation	15	<u>(878,195)</u>	<u>(2,285,255)</u>
(Loss)/Profit after taxation		<u>(459,934)</u>	<u>86,376</u>

The annexed notes 1 to 23 form an integral part of these financial statements.



CHIEF EXECUTIVE OFFICER



DIRECTOR

Equipment Management & Support Company (Private) Limited
Statement of Other Comprehensive Income
For the year ended 30 June 2020

	2020 Rupees	2019 Rupees
(Loss)/Profit after taxation	(459,934)	86,376
Other comprehensive income for the year	-	-
Total Comprehensive Profit for the year	(459,934)	86,376

The annexed notes 1 to 23 form an integral part of these financial statements.



CHIEF EXECUTIVE OFFICER

DIRECTOR

Equipment Management & Support Company (Private) Limited
Statement of Changes in Equity
For the year ended 30 June 2020

	<u>Share capital</u>	<u>Accumulated loss</u>	<u>Total Equity</u>
	<u>Rupees</u>	<u>Rupees</u>	<u>Rupees</u>
Balance as at 01 July 2018	100,000	(837,811)	(737,811)
Profit for the year	-	86,376	-
Balance as at 01 July 2019	<u>100,000</u>	<u>(751,435)</u>	<u>(651,435)</u>
Loss for the year	-	(459,934)	(459,934)
Balance as at 30 June 2020	<u>100,000</u>	<u>(1,211,369)</u>	<u>(1,111,369)</u>

The annexed notes 1 to 23 form an integral part of these financial statements.


CHIEF EXECUTIVE OFFICER


DIRECTOR

Equipment Management & Support Company (Private) Limited
Statement of Cash Flows
For the year ended 30 June 2020

	Note	2020 Rupees	2019 Rupees
Cash flows from operating activities			
Profit before taxation		418,261	2,371,631
Adjustments for:			
Other income		(4,198,220)	(2,332,877)
Finance cost		12,112	141,923
		<u>(3,767,847)</u>	<u>180,677</u>
Changes in:			
Decrease/(Increase) in prepayments and other receivables		921,980	(2,396,508)
Increase/(Decrease) in payable to parent company - net		7,710,633	25,758,740
(Decrease)/Increase in trade and other payables		(1,848,024)	2,545,407
		<u>6,784,589</u>	<u>25,907,639</u>
Other income		4,198,220	2,332,877
Finance cost		(12,112)	(141,923)
Taxes paid		(3,124,974)	(23,965)
		<u>1,061,134</u>	<u>2,166,989</u>
Net cash generated from operating activities		<u>4,077,876</u>	<u>28,255,305</u>
Net increase in cash and cash equivalents		<u>4,077,876</u>	<u>28,255,305</u>
Cash and cash equivalents at the beginning of the year		<u>33,955,899</u>	<u>5,700,594</u>
Cash and cash equivalents at the end of the year	7	<u><u>38,033,775</u></u>	<u><u>33,955,899</u></u>

The annexed notes 1 to 23 form an integral part of these financial statements.


CHIEF EXECUTIVE OFFICER


DIRECTOR

Equipment Management & Support Company (Private) Limited
Notes to the Financial Statements
For the year ended 30 June 2020

1 LEGAL STATUS AND NATURE OF BUSINESS

Equipment Management and Support Company (Private) Limited ("the Company") was incorporated as a private limited company on 24 May 2017 under the repealed Companies Ordinance, 1984 (now the Companies Act, 2017). The registered office of the Company is situated at Headquarters Frontier Works Organization, 509, Kashmir Road, R.A Bazar, Rawalpindi. The Company is principally formed for the purpose of providing equipment management services to Frontier Works Organization and to act as an agent on behalf of Frontier Works Organization for execution of equipment hiring in and hiring out agreements.

The Company is wholly owned subsidiary of Frontier Works Organization (the Parent Company).

2 BASIS OF PREPARATION

2.1 STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS Standards, the provisions of and directives issued under the Companies Act, 2017 have been

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention.

2.3 USE OF ESTIMATES AND JUDGMENTS

The preparation of financial statements in conformity with approved accounting and reporting standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and underlying assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgment about carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Judgments made by management in the application of the approved accounting and reporting standards that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in the ensuing paragraphs.

2.4 Functional and presentation currency

Items included in these financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates. These financial statements are presented in Pak Rupees, which is the Company's functional and presentation currency.

3 NEW ACCOUNTING STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED STANDARDS

3.1 Standards, Interpretations and amendments to accounting and reporting standards that are effective in current year

The Company has adopted the amendments to the following approved accounting standards as applicable in Pakistan which became effective during the year from the dates mentioned below against the respective standard:

IFRS 16 - 'Leases'

IFRIC - 23 'Uncertainty over Income Tax Treatments'

The adoption of the above standard and interpretation to accounting standards did not have any material effect on the financial statements.

3.2 Standards, Interpretations and amendments to accounting and reporting standards that are not yet effective

The following amendments with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard:

	Effective date (annual periods beginning on or after)
IFRS 3 Definition of a Business	January 01, 2020
IAS 1/ IAS 8 Definition of Material	January 01, 2020
IAS 1 Classification of Liabilities as Current and Non-current	January 01, 2020
IAS 37 Amendments to onerous Contracts	January 01, 2020

The above amendments are not expected to have any material impact on the Company's financial statements in the period of initial application.

The IASB has also issued the revised Conceptual Framework for Financial Reporting (the Conceptual Framework) in March 2018 which is effective for annual periods beginning on or after January 01, 2020 for preparers of financial statements who develop accounting policies based on the Conceptual Framework. The revised Conceptual Framework is not a standard, and none of the concepts override those in any standard or any requirements in a standard. The purpose of the Conceptual Framework is to assist IASB in developing standards, to help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the presentation of these financial statements are set out below. These policies have been consistently applied to all the years presented except as disclosed in note 3.1 and 3.2 to these financial statements.

4.1 BASIS OF PREPARATION

These financial statements have been prepared under the historical cost convention using accrual basis of accounting.

4.2 Taxation

a) Current

The charge for current year is higher of the amount computed on taxable income at the current rates of taxation after taking into account tax credits and rebates, if any, and minimum tax computed at the prescribed rate on turnover or alternative corporate tax. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

b) Deferred

Deferred tax accounted for using the liability method for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for the financial reporting purpose.

Deferred tax liability is recognized for all taxable temporary differences and deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Deferred tax is calculated at the rates that are expected to apply to the periods when differences reverse based on tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is charged or credited in the income statement, except in the case of items credited or charged to the equity in which case it is included in equity.

4.3 Trade and other payables

Liabilities for trade and other payables are measured at cost which is the fair value of the consideration to be paid in future for goods and services received.

4.4 Cash and cash equivalent

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of statement of cash flows, cash and cash equivalents comprise cash in hand and bank balances.

4.5 Share Capital

Ordinary shares are classified as equity and are recorded at their face value. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

5 Revenue Recognition

Revenue is recognized when it is probable that the economic benefits will flow to the Company and the revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable.

5.1 Contingencies

Contingencies are disclosed when the Group has possible obligation that arises from past event and whose existence will be confirmed only by occurrence or non-occurrence of one or more uncertain future events not wholly within the control of entity, or a present obligation that arises from past event but is not recognized because it is not probable that an outflow of recourse embodying economic benefit will be required to settle the obligation or, when amount of obligation cannot be measured with sufficient reliability.

5.2 Related party transactions

Transactions and contracts with the related parties are based on the policy that all transactions between the Company and related parties are carried out at an arm's length. These prices are determined in accordance with the methods prescribed in the Companies Act, 2017.

5.3 Financial Instruments

a) Financial assets

The Company classifies its financial assets in the following categories: at fair value through profit or loss, fair value through other comprehensive income and amortized cost. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. All the financial assets of the Company as at statement of financial position date are carried at amortized cost.

Amortized cost

A financial asset is measured at amortized cost if it meets both the following conditions and is not designated as at fair value through profit or loss:

- it is held with in a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt Instrument - FVOCI

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets;
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Equity Instrument - FVOCI

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

Fair value through profit or loss (FVTPL)

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL.

On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

Impairment

The Company recognizes loss allowances for ECLs if any, on;

- financial assets measured at amortized cost;
- debt investments measured at FVOCI, if any; and
- contract assets, if any

The Company recognizes loss allowance for Expected Credit Losses (ECLs). ECLs are those that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

At each reporting date, the Company assesses whether the financial assets carried at amortized cost are credit-impaired. A financial asset is credit-impaired when one or more events that have detrimental impact on the estimated future cash flows of the financial assets have occurred.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company applies the IFRS 9 simplified approach to measure the expected credit losses which uses a lifetime expected loss allowance. Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. Management uses actual credit loss experience over a past years to base the calculation of ECL which is nil as the company has the good experience in recovering trade receivables and other financial assets.

b) Financial liabilities

All financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument.

Recognition and measurement

All financial assets and liabilities are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value, amortized cost or cost, as the case may be.

Derecognition

The financial assets are de-recognized when the Company loses control of the contractual rights that comprise the financial assets. The financial liabilities are de-recognized when they are extinguished i.e. when the obligation specified in the contract is discharged, cancelled or expired.

Offsetting of financial assets and financial liabilities

A financial asset and a financial liability is offset and the net amount is reported in the balance sheet if the Company has a legally enforceable right to set-off the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Equipment Management & Support Company (Private) Limited
Notes to the Financial Statements
For the year ended 30 June 2020

		2020	2019
		Rupees	Rupees
6 PREPAYMENTS AND OTHER RECEIVABLES	Note		
Other receivables	6.1	1,098,620	2,230,620
Prepaid insurance		375,908	165,888
		<u>1,474,528</u>	<u>2,396,508</u>
6.1	This represents amount receivable from the parent company amounting to rupees 1,098,620 (2019: 1,098,620), against repair and maintenance expenditure incurred on its behalf. The maximum aggregate amount outstanding at any time during the year is 1,098,620.		
7 CASH AND BANK BALANCES			
Cash in hand		103,191	96,617
Cash at bank			
-Saving account	7.1	37,930,584	33,859,282
		<u>38,033,775</u>	<u>33,955,899</u>
7.1	The balance in saving account carries markup ranging between 10.75% to 6.50% (2019: 5% to 10.75%)		
8 SHARE CAPITAL			
Authorized share capital			
1,000 (2019: 1,000) ordinary shares of Rs. 100 each		<u>100,000</u>	<u>100,000</u>
Issued, subscribed and paid up share capital			
1,000 (2019: 1,000) ordinary shares of Rs. 100 each		<u>100,000</u>	<u>100,000</u>
9 PAYABLE TO PARENT COMPANY - NET			
Opening balance		30,124,938	4,366,198
Add: Collections received on behalf of FWO		14,018,126	39,942,375
Less: Equipment management charges for the period		(6,307,493)	(14,183,635)
	9.1	<u>37,835,571</u>	<u>30,124,938</u>
9.1	This represents the amount received by the company as an agent, on behalf of the parent company. The amount is net-off the company services charges.		
10 TRADE AND OTHER PAYABLES			
Other payables		398,000	490,000
Withholding tax payable		39,985	39,985
Accrued Liabilities		2,104,584	3,860,608
		<u>2,542,569</u>	<u>4,390,593</u>

Equipment Management & Support Company (Private) Limited
Notes to the Financial Statements
For the year ended 30 June 2020

	Note	2020 Rupees	2019 Rupees
11 INCOME TAX PAYABLE			
Opening Balance		2,488,311	227,021
Add: Provision for current taxation		878,195	2,285,255
Less: Tax paid during year		(2,488,311)	-
Less: Adjustment against tax paid / Deducted at source		(636,663)	(23,965)
Closing Balance		241,532	2,488,311
12 REVENUE			
Service charges for hired out equipment's		3,504,532	9,465,896
Service charges for hired in equipment's		2,802,961	4,717,739
		6,307,493	14,183,635
13 COST OF SERVICES			
Salaries and other benefits		4,245,520	3,424,317
Repair and maintenance		3,863,553	6,198,347
Other expenses		541,796	829,439
		8,650,869	10,452,103
14 ADMINISTRATIVE AND GENERAL EXPENSES			
Auditors' remuneration	14.1	220,000	911,500
Communication Charges		6,495	60,588
Legal and professional charges		97,210	2,275,317
Office supplies		4,810	6,450
Fee and subscriptions		-	29,000
Travelling and conveyance		142,636	74,800
Freight Charges		321,830	
Staff insurance		-	42,250
Fuel & Gas for Vehicles		558,245	
Staff welfare		43,338	144,000
Misc. expense		29,907	6,950
		1,424,471	3,550,855
14.1 Auditors' remuneration			
Audit fee		150,000	348,000
Review of statement of compliance with Public Sector Code of Corporate Governance		50,000	116,000
Tax services		-	420,000
Out of pocket expenses		20,000	27,500
		220,000	911,500

Equipment Management & Support Company (Private) Limited
Notes to the Financial Statements
For the year ended 30 June 2020

b) Credit Risk

Credit risk represents the risk that one party to a financial instrument will cause a financial loss for the other party, by failing to discharge its obligation.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date is as follows:

30 June 2020

	Carrying amount	Maximum Exposure
	Rupees	Rupees
Other receivables	1,474,528	1,474,528
Cash and bank balances	38,033,775	38,033,775

30 June 2019

	Carrying amount	Maximum Exposure
	Rupees	Rupees
Cash and bank balances	33,955,899	33,955,899

Geographically, there is no concentration of credit risk.

The Company's most significant amount is balance with a bank, amounting to Rs. 37,930,584 (2019: Rs. 33,859,282), as at the statement of financial position date.

The Company has placed funds in financial institution with credit rating as follows:

	Rating 2020		Rating Agency
	Short term	Long term	
United Bank Limited	AAA	AA-	JCR-VIS
	Rating 2019		Rating Agency
	Short term	Long term	
United Bank Limited	AAA	AA-	JCR-VIS

c) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that the Company could be required to pay its liabilities earlier than expected or difficulty in raising funds to meet commitments associated with financial liabilities as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient funds to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The maturity profile of the Company's financial liabilities at year end based on contractual cash flows is summarized below:

Equipment Management & Support Company (Private) Limited
Notes to the Financial Statements
For the year ended 30 June 2020

30 June 2020	Carrying amount	One to twelve months	One to five years
	Rupees	Rupees	Rupees
Payable to parent company - net	37,835,571	37,835,571	-
Trade and other payables	2,542,569	2,542,569	-
Income tax payable	241,532	241,532	-
30 June 2019	Carrying amount	One to twelve months	One to five years
	Rupees	Rupees	Rupees
Payable to parent company - net	30,124,938	30,124,938	-
Trade and other payables	4,390,593	4,390,593	-
Income tax payable	2,488,311	2,488,311	-

17.2 Fair values

i) Fair value hierarchy

Financial instruments carried at fair value have been analyzed at following levels using valuation method:

Level 1: inputs using the quoted prices in active market for identical assets / liabilities.

Level 2: inputs other than the quoted market prices that are observed for the assets / liabilities either directly or indirectly.

Level 3: based on unobservable inputs for assets / liabilities.

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

Transfers between levels of the fair value hierarchy are recognized at the end of the reporting period during which the change has occurred.

ii) Determination of fair values

The Company's accounting policies and disclosures require the determination of fair value, of both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods.

Non - derivative financial assets

The fair value of non-derivative financial assets is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes.

Equipment Management & Support Company (Private) Limited
Notes to the Financial Statements
For the year ended 30 June 2020

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

<u>30 June 2020</u>	<u>Amortized cost</u>	<u>Other financial liabilities</u>	<u>Total</u>
	<u>Rupees</u>	<u>Rupees</u>	<u>Rupees</u>
Financial Assets			
Other receivables	1,098,620	-	1,098,620
Cash and bank balances	<u>38,033,775</u>	<u>-</u>	<u>38,033,775</u>
Financial Liabilities			
Payable to holding company - net	-	37,835,571	37,835,571
Trade and other payables	-	2,542,569	2,542,569
Income tax payable	<u>-</u>	<u>241,532</u>	<u>241,532</u>
<u>30 June 2019</u>			
Financial Assets			
Other receivables	2,230,620	-	2,230,620
Cash and bank balances	<u>33,955,899</u>	<u>-</u>	<u>33,955,899</u>
Financial Liabilities			
Payable to holding company - net	-	30,124,938	30,124,938
Trade and other payables	-	4,390,593	4,390,593
Income tax payable	<u>-</u>	<u>2,488,311</u>	<u>2,488,311</u>

*As the aforementioned financial assets and liabilities are short term in nature and reprised periodically. Therefore, their carrying amounts are reasonable approximation of fair value. Accordingly, no disclosure of fair value is required.

18 NUMBER OF EMPLOYEES

Total number of employees as at 30 June 2020 were 5 (2019: 5). Average number of employees during the year were 7 (2019: 7).

Equipment Management & Support Company (Private) Limited
Notes to the Financial Statements
For the year ended 30 June 2020

19 BALANCES AND TRANSACTIONS WITH RELATED PARTIES

Frontier Works Organization holds 100% shares of the Company. Therefore Frontier Works Organization including its subsidiaries and associates are the related parties of the Company. Other related parties include directors, key management personnel, entities over which directors are able to exercise significant influence. Below is the list of related parties with whom the Company has entered into transactions during the year:

Related Party	Basis of Relationship	Shareholding Percentage in the Company
Frontier Works Organization	Parent Company	99.50%
Motorway Operations and Rehabilitation Engineering (Private) Limited - (MORE)	Associate	Nil
Swat Expressway Planning Constructions and Operations (Private) Limited - (SEPCO)	Associate	Nil
Superhighway Construction Operation and Rehabilitation Engineering (Private) Limited - (SCORE)	Associate	Nil
Karachi and Thatta Construction and Management (Private) Limited - (KATKAM)	Associate	Nil
Lahore Sialkot Motorway Infrastructure Management (Private) Limited - (LSMIM)	Associate	Nil
Degan Exploration Works (Private) Limited - (DEW)	Associate	Nil
Frontier Cement Company (Private) Limited - (FCC)	Associate	Nil
Lahore and Faisalabad Construction Company (Pvt) Limited - (LAFCO)	Associate	Nil
Habibabad Operation & Management Engineering (Pvt) Limited - (HOME)	Associate	Nil
Punjab Ring Road Infrastructure Management & Engineering (Pvt) Limited - (PRIME)	Associate	Nil
Frontier Smart City (Pvt) Limited - (FSC)	Associate	Nil

Details of transactions with these related parties are as follows:

	2020	2019
Parent Company	Rupees	Rupees
Services rendered	6,307,493	14,183,635
Balance due to - unsecured	37,835,571	30,124,938
Balance due from - unsecured	1,098,620	1,098,620
	-	-

Equipment Management & Support Company (Private) Limited
Notes to the Financial Statements
For the year ended 30 June 2020

Associates	2020	2019
Collections against Vehicle Rental	Rupees	Rupees
MORE	1,756,210	2,849,790
SEPCO	610,000	840,000
SCORE	150,000	625,000
KATKAM	-	405,000
DEW	-	1,978,109
FCC	-	180,000
LSMIM	810,000	1,890,000

20 COVID-19 (Disclosure)

The pandemic of COVID-19 that has rapidly spread all across the world has not only endangered human lives but has also adversely impacted the global economy. On March 23, 2020, the Government of the Sindh including Federal Government announced a temporary lock down as a measure to reduce the spread of the COVID-19.

After implementing all the necessary Standard Operating Procedures (SOPs) to ensure safety of employees, the company continued to carry out its operations and has taken all necessary steps to ensure smooth and adequate continuation of its business. Due to this, management has assessed the accounting implications of these developments on these financial statements, however, according to management's assessment, there is no significant accounting impact of the effects of COVID-19 on these financial statements.

21 REMUNERATION OF CHIEF EXECUTIVE AND DIRECTORS

Chief executive and directors have not been paid any remuneration during the year. The Company does not have executives during the year (2019: Nil).

22 GENERAL INFORMATION

22.1 Figures have been rounded off to the nearest rupees unless otherwise stated.

23 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on 15 FEB 2021 by the Board of Directors of the Company.


CHIEF EXECUTIVE OFFICER


DIRECTOR